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**Vodafone** : Reiterate Buy post full year results

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## IRISH PAPERS TODAY

Nama legislation must be robust, says Lenihan  
*(The Irish Times)*

IFG performance 'satisfactory'  
*(The Irish Times)*

INM agrees a standstill with banks as bond delayed  
*(Irish Independent)*

## INTERNATIONAL PAPERS TODAY

Talks begin on selling stakes in UK banks  
*(Financial Times)*

India's election results lift stock by 17%  
*(The Wall Street Journal)*

## DOLMEN DOZEN

Company	1-day %	YTD %
Aryzta	-2.3%	-2.5%
BP	2.4%	-3.3%
CRH	0.1%	13.0%
DCC	2.3%	45.5%
E.ON	1.5%	-14.6%
HPQ	2.1%	-1.5%
IL&P	3.1%	84.8%
INM	-8.9%	-32.1%
J&J	1.2%	-6.3%
JPMorgan	6.7%	18.2%
Microsoft	1.9%	6.0%
Vodafone	3.5%	-8.3%

## Market View

**Analyst : Edward Keeling**

European equity markets are broadly higher this morning following a strong finish in the US and Asia overnight. The S&P 500 has now recovered half of last week's loss and has restored its yearly gain, leaving it up 0.7% year to date. Furthermore, the VIX volatility index, which measures the cost of using options as insurance against declines, is down to 30.24 from a record 80.66 in November. Investor sentiment was lifted overnight as Goldman Sachs, JPMorgan (Our preferred US financial), and Morgan Stanley all applied to refund a combined \$45bn of government funds, fuelling speculation that the worst of the financial crisis is over. Another positive catalyst was the reduction in the Libor rate. The rate at which banks lend to each other has now fallen back to levels not seen since August 2007. Despite this latest move higher in equity markets we remain cautious. We would recommend that investors wishing to take part in the rally apply a disciplined stock selection process. Investing only in companies with strong balance sheets and resilient revenue streams. As for today US housing starts data will be closely watched and expectations are for more signs of stabilisation. Statistics released yesterday showed that confidence among US homebuilders in May increased to the highest level since September, registering the first back to back gain since February 2008.

**Bol : Neutral Current Price (€1.38) Price target (€1.85) Analyst : Oliver Gilvarry**

Bank of Ireland (BOI) released full year results this morning. Underlying EPS was 30.2c for the full year, higher than expected by the market. The underlying pre-tax profit was €332m, a fall of 81% on the previous year. Profit before tax was lower in all divisions with Bank of Ireland Life profits declining by 129% and ROI Retail down 97%. In line with expectations pre-provision profits of the group only declined by 5% in the period to €1.88bn. Net Interest Margins (NIM) increased during the year by 8bps to 1.74%, as the bank passed on higher margins to customers especially in the UK and due to the balance sheet structure. The increased cost of deposits took 7bps and higher wholesale funding costs took 4bps from NIM. Competition for deposits will remain intense over the remainder of the year in Ireland and the UK and the re-financing of term debt at higher margins will reduce BOI's NIM. In our opinion, it is unlikely the group will be able to maintain growth in NIM this year. On costs, the cost income ratio increased by 1% to 52% which is disappointing as the group has reduced staff numbers by 5% and reduced variable staff payments.

On impairments, management had guided €1.4bn for the year and impairments came in at this level. On future impairments management are now guiding a level of €6bn for the 3-years to March 2011, which was previously their stress case. In the results it was stated "downside risk to this estimate arises in the event of even further deterioration in economic conditions or further prolonged low levels of activity in residential and commercial property markets." Core tier 1 at the end of March was 10% an increase of 3.4% due to the injection of capital into the group by the Irish government in the form of preference shares. Equity core tier 1 was 6.2%, an increase of 0.6% yoy. The group announced the intention to buy back €1.4bn of its tier 1 hybrid debt through a tender. Assuming this is completed at a 50% discount face value, it would add €700m to the capital base. The increase in equity tier 1 based on end of March figures would be 0.67%. Customer deposits have decreased by 3.6% and the loan to deposit ratio increased slightly to 1.6x. When compared to end of September figures deposits fell more, declining by 8.8%. Highlighting the outflow of deposits Irish banks experienced over the last number of months. Irish retail deposits were flat yoy and the UK deposit growth offset the declines in capital markets.

Changes were announced in the board with chairman Richard Burrows due to stand down in July. David Dilger, independent director and George Magan, Deputy Governor, will retire from the board at the AGM. On NAMA, no details on the haircut were given, but the group see positives from the introduction of NAMA. BOI sees the assets transferred on a phased basis and the group is ready to engage with NAMA. In relation to the legal issues that have been raised over the introduction of NAMA, BOI believe these are "surmountable".

The results today had no surprises and the increase in impairment guidance was expected. The increase in NIM and the small decrease in pre-provision profits were a positive as was the announcement of the debt buyback. The increase in NIM will be difficult to maintain as the group faces higher deposit and wholesale funding costs. Management see a difficult year for the 12-months to March 2010 and they expect lower levels of new business activity, higher impairments charges and further pressure on funding costs. The group still face problems in relation to its reliance on wholesale funding and its exposure to the UK and Irish economies. An investor presentation begins at 09.00 and will provide further details on outlook for the group and in particular credit quality.

**Vodafone : Buy Current Price (128p) Price target (155p) Analyst : Stephen Taylor**

Vodafone reported full year results for the period ending 31/03/09. The group reported revenue that increased by 15.6% to £41bn slightly ahead of analyst expectations. EBITDA increased by 10% to £14.5bn versus consensus of £14.4bn. The group took a £5.9bn impairment, primarily in relation to its Spanish operations. Vodafone proposed a final dividend of 5.2p per share, producing a dividend of 7.7p for the full year, an increase of 3.5% year on year. The group will trade ex its final dividend on June 3<sup>rd</sup>. In relation to its guidance for 2010, the group expects free cash flow in a range of £6bn-£6.5bn, while it expects operating profit in a range of £11bn-£11.8bn. We view the free cash flow guidance as particularly positive and the fact that the company is continuing to focus on cost control. Vodafone indicated that its £1bn cost reduction program is ahead of expectations with over 65% expected to be achieved in its 2010 financial year. The company also indicated that it is to explore further ways to reduce its cost base. Overall, we view Vodafone's results and guidance as a positive and we maintain our buy recommendation on the stock.



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**DCC: Buy**    **Current Price (€15.09)**    **Target Price (€17.00)**    **Analyst : David Dunk**

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DCC has announced its full year results this morning, as well as details of a new acquisition. DCC will acquire Shell's oil distribution business in Denmark. The business is based in Copenhagen, and has 57 employees, and 30,000 customers. DCC will pay €14m to acquire the business. The business is very similar in scope to DCC's Energy division. DCC's full year results were better than expected. Revenues increased 15.7% to €6.4bn, up 31% on constant currency. Operating profit was €180.4m, up 7.9% on the previous year, and up 22.4% on constant currency. Adjusted EPS for the year was €1.69, up 2.5%, better than our expectations of flat to slightly negative EPS growth. Free cash flow for the company was strong at €218.5m. Net debt declined from €123.7m to €90.7m. DCC will pay a final dividend of €0.3973 per share, which means that the full year dividend has increased 10% on the prior year. The company is guiding for adjusted EPS in the current year that will be modestly behind to broadly in-line, on a constant currency basis, with the year ended 31<sup>st</sup> March 2009. Taking into account the effects of currency moves would lead to a decline in EPS of 5% to 10% for the year. The outcome of the strategy review may be viewed as disappointing by the market. One notable institutional shareholder had been calling for a breakup of the group recently. The board does not believe that a material change to the structure of the group would be value enhancing for shareholders. The sale of assets in the current climate is undesirable. However, the market will likely continue to value DCC group at less than the value of the sum of all its parts. DCC has performed strongly since its inclusion in the Dolmen Dozen, a trend we expect to continue.

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**IN&M: Buy**    **Current Price (€0.28)**    **Target Price (€0.45)**    **Analyst : Stephen Taylor**

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Independent News & Media's (INM) Australian division APN in which it holds a 39.1% stake has announced an equity raising to raise up to A\$99m (€56m). The institutional component, represents about A\$79m and is fully underwritten by RBS Equity Capital Markets. The equity raising comprises of a one for five accelerated non-renounceable (rights cannot be bought or sold on secondary market) pro-rata entitlement offer at A\$1 per share (shares closed at A\$1.16 per share). APN plans to use the proceeds to reduce debt and strengthen its balance sheet. APN said that INM will not participate in the offer, therefore INM's interest in APN will be diluted by c. 20%. We retain our speculative buy of INM in the €0.20 - €0.25 range ahead the group's current debt restructuring plans. The next catalyst for the stock will take place by June 26<sup>th</sup> by which date the company will have to provide an update to the market in relation to the further extension of its €200m bond and possibly further details on potential asset sales.

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**Paddy Power: Buy**    **Current Price (€17.15)**    **Target Price (€18)**    **Analyst : Edward Keeling**

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Speculation has mounted that the government is now reviewing the introduction of an increase in Irish retail betting duty from 1% to 2%. A doubling of the betting levy was originally scheduled for May 1st, but the rewording of the proposal in the 2009 finance bill has fuelled speculation that the minister may delay or restructure the tax all together. The government now reserves the right to introduce the 2% rate pending on the outcome of research being conducted on taxing non-retail betting turnover. It appears the government is assessing the potential to tax Paddy Power's and its peers non-retail offerings. Considering Paddy Power's online facilities are registered offshore, we would be sceptical over the government's likelihood for success. In terms of any deferral or elimination in the proposed retail betting tax increase, we would view this as a short term positive but a longer term negative. Although Paddy Power's earnings would benefit some 10% this year from such a move, it would reduce the amount of capacity coming out of the industry. Although Paddy Power has significantly lowered its capex spend in Ireland, it is set to capture significant market share as competitors gout of business or retrench. However such a move by the government would act as a support to the industry and such stabilise supply.

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### International Equity Markets

Index	Value	1-Day	YTD
ISEQ	2,644	0.4%	16.3%
FTSE	4,446	2.3%	1.0%
Dow Jones	8,504	2.8%	-3.1%
S&P	910	3.0%	0.7%
Nikkei	9,290	2.8%	4.9%
Stoxx 50	2,423	2.5%	0.0%

### Sector Performances

Sector	Index	1-Day	YTD
Construction	221	1.6%	10.7%
Technology	170	2.9%	13.0%
Oil & Gas	295	2.6%	10.7%
Financials	180	5.1%	22.6%
Retail	210	2.5%	14.1%
Food & Drink	238	1.3%	2.2%

### Commodity Prices

Commodity	Index	1-Day	YTD
Crude Oil	59.0	4.8%	13.1%
Copper	207.2	2.7%	48.4%
Gold	918.3	-1.5%	4.6%
Silver	13.8	-1.3%	22.1%
Wheat	590.5	2.3%	-7.1%
Cattle	82.5	0.2%	-3.9%

### Currency Exchange Rates

Commodity	Index	1-Day	YTD
€/\$	1.356	0.5%	-2.8%
€/£	0.884	-0.6%	-8.5%
£/\$	1.535	1.1%	5.3%
\$/JPY	96.31	1.2%	6.1%
€/JPY	130.60	1.6%	3.5%
€/SFR	1.511	-0.2%	1.3%

### 5Yr Credit Spreads

Commodity	Index	1-Day	YTD
Invest Grade	151.7	-6.3%	-16.3%
High Yield	926.6	-0.9%	-11.6%
Financials	127.1	-0.5%	5.1%
BoI	321.4	1.5%	31.7%
AIB	318.1	0.2%	61.7%
RBS	178.6	2.0%	33.4%

### Money Market Rates

Rate	EUR	UK	US
Overnight	0.7%	0.4%	0.2%
3-Month	1.2%	1.4%	0.8%
1-Year	1.4%	1.3%	0.9%
2-Year	1.6%	1.9%	1.3%
5-Year	2.6%	3.2%	2.5%
10-Year	3.5%	3.8%	3.3%

### Calendar of Events

Date	Company	Region	Event
18/05/2009	Aeroports de Paris SA	TRAFFIC	FR
18/05/2009	Ark Therapeutics Group	TRADE	GB
18/05/2009	Cranswick PLC	PRELIM	GB
18/05/2009	Greentech Energy Syst	AGM	DK
18/05/2009	BG Group plc	AGM	GB
18/05/2009	Big Yellow Group PLC	PRELIM	GB
19/05/2009	Bank of Ireland	PRELIM	IE
19/05/2009	DCC PLC	PRELIM	IE
19/05/2009	Home Depot Inc	Q1	US
19/05/2009	Hewlett-Packard	Q2	US
19/05/2009	AIR France-KLM	Q4	FR
19/05/2009	Cairn Energy PLC	TRADE	GB
19/05/2009	Renovo Group Plc	INTERIM	GB
19/05/2009	Burberry Group PLC	PRELIM	GB
19/05/2009	Vodafone Group Plc	PRELIM	GB
19/05/2009	Marks and Spencer Gro	PRELIM	GB
19/05/2009	ICAP PLC	PRELIM	GB
19/05/2009	SSL International PLC	PRELIM	GB
19/05/2009	Premier Oil PLC	TRADE	GB
19/05/2009	Vitec Group PLC	TRADE	GB
19/05/2009	Societe Generale	S/HOLDERS	FR
19/05/2009	Next Plc	AGM	GB
20/05/2009	GlaxoSmithKline PLC	AGM	GB

### Calendar of Events

Date	Event	Region	Estimate
19/05/2009	CPI (MoM)	UK	0.40%
19/05/2009	RPI (MoM)	UK	0.30%
19/05/2009	ZEW Survey (Econ. Sentime	GE	--
19/05/2009	ZEW Survey (Econ. Sentime	EC	--
19/05/2009	Construction Output SA Mo	EC	--
19/05/2009	Housing Starts	US	530K
19/05/2009	Building Permits	US	530K
19/05/2009	ABC Consumer Confidence	US	--
20/05/2009	Producer Prices (MoM)	GE	--
20/05/2009	Bank of England Minutes	UK	--
20/05/2009	MBA Mortgage Applications	US	--
20/05/2009	Minutes of April 29 FOMC M	US	--
21/05/2009	Retail Sales (MoM)	UK	0.50%
21/05/2009	Public Sector Net Borrowing	UK	6.5B
21/05/2009	M4 Money Supply (MoM)	UK	--
21/05/2009	Initial Jobless Claims	US	--
21/05/2009	Leading Indicators	US	0.60%
21/05/2009	Philadelphia Fed.	US	-18
21/05/2009	PMI Manufacturing	GE	37
21/05/2009	PMI Services	GE	44.2
21/05/2009	PMI Manufacturing	EC	37.5
21/05/2009	PMI Services	EC	44
22/05/2009	BOJ Target Rate	JN	0.10%

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